



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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May 11, 2004

TO: Senator Lisa Brown, Chair
Senator Joseph Zarelli
Representative Jack Cairnes
Representative Jim McIntire
Marty Brown, OFM, Director
Will Rice, DOR, Director

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: May 10, 2004 REVENUE COLLECTION REPORT

Washington's revenue picture improved this month. General Fund-State collections totaled \$947.1 million in the April 11 – May 10, 2004 period. This was \$38.2 million (4.2 percent) higher than expected. Revenue Act (retail sales, business & occupation, use and public utility taxes) and real estate excise taxes accounted for most (95 percent) of the positive variance for the month, however, most other major revenue sources were above the forecast for the period. The higher than expected collections this period increases the cumulative variance since the February 2004 forecast to plus \$45.5 million. Economic news continues to be mostly positive. The U.S. economy added 288,000 jobs in April. While this was a little less than the revised 337,000 jobs added in March it was better than expected. In addition real Gross Domestic Product (GDP), the broadest measure of economic output, increased a solid 4.2 percent in the first quarter of 2004, a little better than the 4.1 percent increase in the last quarter of 2003. Although the April jobs number was better than expected, both the U.S. employment and GDP gains in the first quarter of 2004 were a little less than assumed in the February forecast. As noted in last month's report, the Washington economy also added jobs in the first quarter of 2004, the third consecutive quarterly increase. The gain in the first quarter was a little more than expected in the February 2004 forecast.

Revenue Act receipts were \$28.0 million, 3.7 percent, more than the estimate for the month. Collections this period primarily reflect March 2004 business activity of monthly taxpayers and January through March activity of quarterly filers. Revenue growth was very strong. Revenue Act receipts were 10.0 percent above the year-ago level this month after adjusting for new legislation and special factors. This is the best monthly gain since May 2000. Last month revenue act receipts increased a revised 4.6 percent and they were up just 0.8 percent two months ago. The strength this month results in a 5.5 percent gain for the first quarter of 2004. This is the best quarterly gain since the second quarter of 2000. For the fiscal year-to-date, Revenue Act receipts are now 4.4 percent higher than a year-ago.

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Preliminary data on tax payments of 9,561 large taxpayers who filed electronically for the current month show very strong growth across-the-board. Tax payments by retailers were up 11.8 percent and non-retailers reported an 11.0 percent increase. Last month tax payments by retailers were up 7.8 and non-retailers reported only a 3.4 percent gain. For the current month all three-digit retail NAICS sectors reported an increase in tax payments with seven sectors reporting double-digit gains. The largest increases were reported by building materials/garden equipment retailers (+27.5 percent), apparel and accessory retailers (+16.9 percent), food and beverage stores (+14.2 percent) and gas stations and convenience stores (+14.1 percent). Most non-retailing sectors also reported very strong growth. Manufacturers reported a 19.4 percent increase in tax payments this month. Other sectors reporting very strong growth in tax payments include the education and health services sector (+16.6 percent), the construction sector (+13.1 percent), the transportation and warehousing sector (+12.0 percent), the professional, scientific and technical services sector (+11.8 percent), the accommodations and food service sector (+11.7 percent), the information sector (+11.4 percent) and the wholesale trade sector (+11.4 percent). There was only one major non-retailing sector that reported a decline in tax payments this month. Tax payments reported by the finance and insurance sector were 4.8 percent less than a year-ago.

Non-Revenue Act General Fund taxes collected by the Department of Revenue were \$10.2 million above the estimate for the month. All major taxes in this group except cigarette tax payments were up for the month. Real estate excise tax (+\$8.5 million), property tax (+\$0.5 million) and estate tax payments (+\$0.4 million) accounted for the majority of the positive variance for the month. For the three months since the February forecast Non-Revenue Act taxes are \$29.8 million higher than the forecast, with estate, real estate excise and property tax receipts, again accounting for the majority of the cumulative variance.

Real estate activity (closings in March which reflect tax payments to the state in April) increased a very strong 31.2 percent, the strongest growth since October. Last month real estate activity increased 7.9 percent and it declined 0.3 percent two months ago. The increase was primarily due to strong prices. The average price per transactions increased 19.6 percent in March, the best monthly gain since 1997. The number of real estate transactions increase 9.5 percent, after declining 2.4 percent and 13.1 percent the previous two months.

Department of Licensing General Fund-State collections, which primarily reflect various license fees, were \$54,000 below the estimate for the month. Cumulative, Department of Licensing GFS revenue is \$120,000 more than expected.

The attached Table 1 provides a comparison of collections with the February 2004 forecast for the April 11 – May 10, 2004 collection period and cumulatively since the February 2004 forecast. Table II compares revised collections figures to the preliminary numbers reported in last month's collection report.

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Attachments

TABLE 1
Revenue Collection Report
May 10, 2004 Collections Compared to the February 2004 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Amount</u>	<u>Difference</u> <u>Percent</u>
April 11 - May 10, 2004				
Department of Revenue-Total	\$905,448	\$943,679	\$38,232	4.2%
Revenue Act** (1)	767,310	795,352	28,042	3.7%
Non-Revenue Act(2)	138,138	148,327	10,189	7.4%
Liquor Sales/Liter	7,391	7,805	414	5.6%
Cigarette	4,141	4,053	(87)	-2.1%
Property (State School Levy)	57,792	58,365	573	1.0%
Estate	12,859	13,291	432	3.4%
Real Estate Excise	40,984	49,504	8,520	20.8%
Timber (state share)	0	0	0	NA
Other	14,971	15,308	337	2.3%
Department of Licensing (2)	3,448	3,394	(54)	-1.6%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$908,896	\$947,073	\$38,177	4.2%
Cumulative Variance Since the February 2004 Forecast (Feb. 11, 2004 - May 10, 2004)				
Department of Revenue-Total	\$2,263,786	2,309,161	45,375	2.0%
Revenue Act** (3)	1,989,026	2,004,635	15,609	0.8%
Non-Revenue Act(4)	274,760	304,526	29,766	10.8%
Liquor Sales/Liter	21,095	22,406	1,311	6.2%
Cigarette	12,771	12,951	180	1.4%
Property (State School Levy)	81,906	84,958	3,052	3.7%
Estate	25,662	35,191	9,529	37.1%
Real Estate Excise	101,816	115,081	13,265	13.0%
Timber (state share)	1,943	2,432	489	25.2%
Other	29,566	31,507	1,941	6.6%
Department of Licensing (4)	4,668	4,787	120	2.6%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$2,268,454	\$2,313,949	\$45,495	2.0%

1 Collections April 11 - May 10, 2004. Collections primarily reflect March 2004 activity of monthly taxpayers and q1, 2004 activity of quarterly filers.

2 April 1-30, 2004 collections.

3 Cumulative collections, estimates and variance since the February 2004 forecast; (February 11 - May 10, 2004) and revisions to history.

4 Cumulative collections, estimates and variance since the February forecast; (February - April 2004) and revisions to history.

5 Lottery transfers to the General Fund

* Based on the February 2004 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

TABLE 2
April 10, 2004 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
March 11 - April 10, 2004				
Department of Revenue-Total	\$714,334	\$714,334	\$0	0.0%
Revenue Act (1)	627,300	627,300	0	0.0%
Non-Revenue Act(2)	87,034	87,034	0	0.0%
Liquor Sales/Liter	7,050	7,050	(0)	-0.0%
Cigarette	4,676	4,676	0	0.0%
Property (State School Levy)-net	20,715	20,715	(0)	-0.0%
Property tax collections	20,715	20,715	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	15,822	15,822	0	0.0%
Real Estate Excise	33,164	33,164	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	5,608	5,608	(0)	-0.0%
Department of Licensing (2)	878	847	(31)	-3.5%
Lottery (2)	0	0	0	NA
Total General Fund-State***	715,213	715,182	(\$31)	-0.0%

Cumulative Receipts: February 11 - April 10, 2004 & Revisions to History

Department of Revenue-Total	1,365,482	\$1,365,482	\$0	0.0%
Revenue Act (3)	1,209,283	1,209,283	0	0.0%
Non-Revenue Act(4)	156,199	156,199	0	0.0%
Liquor Sales/Liter	14,601	14,601	0	0.0%
Cigarette	8,897	8,897	0	0.0%
Property (State School Levy)-net after transfer	26,593	26,593	(0)	-0.0%
Property tax collections	26,593	26,593	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	21,900	21,900	(0)	-0.0%
Real Estate Excise	65,577	65,577	0	0.0%
Timber (state share)	2,432	2,432	0	NA
Other	16,199	16,199	0	0.0%
Department of Licensing (4)	1,424	1,408	(16)	-1.1%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$1,366,907	\$1,366,891	(\$16)	-0.0%

Preliminary. Reported in the April 10, 2004 collection report.

1 Collections March 11 - April 10, 2004. Collections primarily reflect February 2004 business activity of monthly taxpayers.

2 March 1-31, 2004 collections.

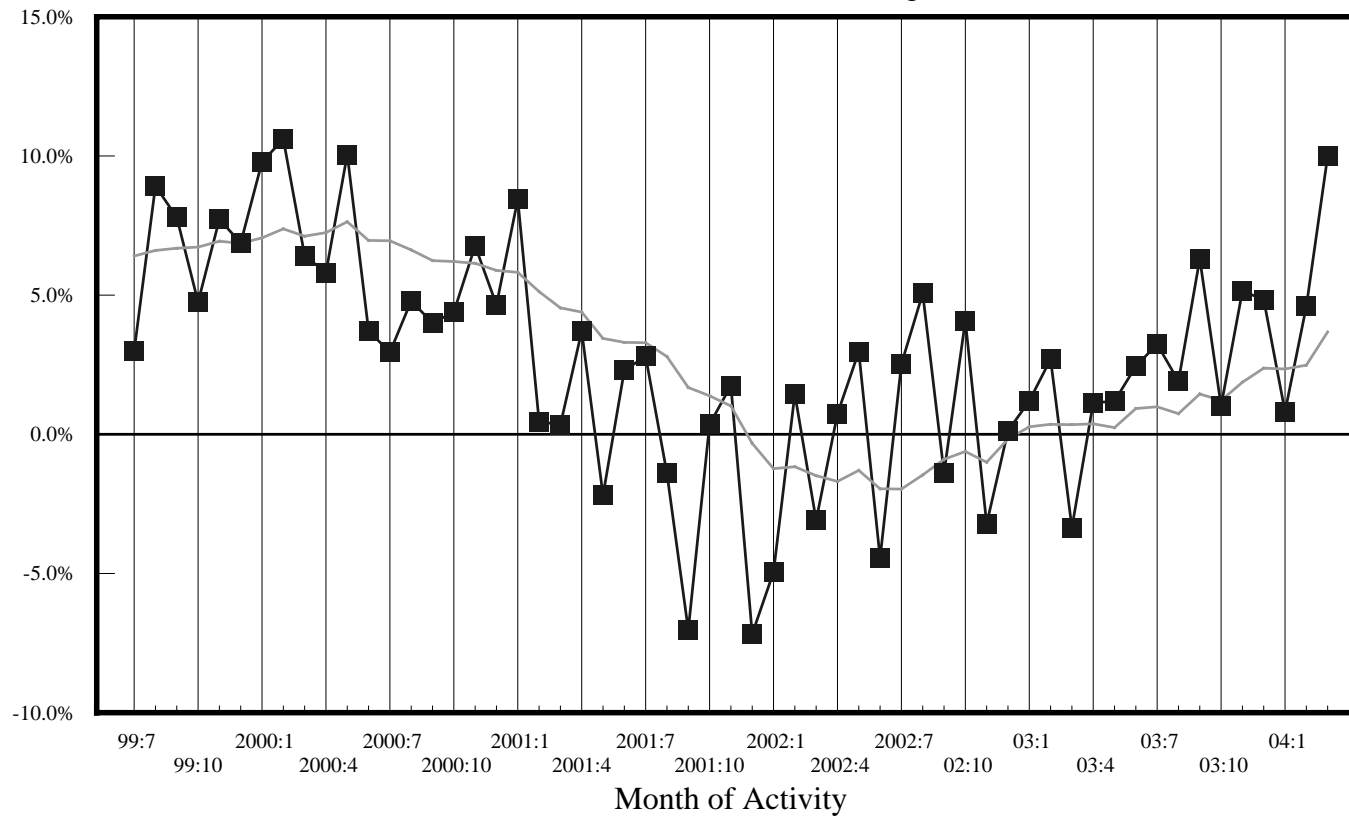
3 Cumulative receipts since the February 2004 forecast: February 11- April 10,2004 & revisions to history.

4 Cumulative receipts since the February 2004 forecast (February & March) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

Revenue Act Net Collections*

Year-over-Year Percent Change



■ %CH from year-ago month

— %change: 12 month moving average

*Adjusted for special factors & new legislation